

August 24, 1983

State of Utah
Department of Natural Resources
Board of Oil, Gas and Mining
4241 State Office Building
Salt Lake City, Utah 84114

Attn: Tom Tetting

Re: The Completion of a Mining and Reclamation Plan and the
Posting of Surety for the Red Rock Mine Located in San Juan
County, Utah

Dear Mr. Tetting:

First of all, let me thank you for your cooperation in this matter. I believe that the problems we have been addressing the past few days were caused by an unfortunate breakdown in communication. Hopefully there will be no need to assess any blame since we have now come a long way in establishing some workable communication.

To start to resolve the outstanding problems the following actions have been taken:

1. S&S Mining has provided a \$15,000.00 bond and has signed the enclosed Mine Lands Reclamation Agreement and the Escrow Agreement which were prepared in form dictated by you to Joyce Jones yesterday. S&S has, with your concurrence, arranged for First Security Bank, Moab, Utah, to act as the escrow agent and to hold the bond money. The deposit of the money has been made subject to your directions and approval and therefore it is assumed that everything is proper. Additional originals of the Mine Lands Reclamation Agreement and Escrow Agreement are enclosed. First Security Bank requests that these be signed and delivered to First Security Bank for its file. If you will return it to me I will make sure it gets to First Security Bank. Otherwise, you may send the agreements directly to First Security Bank, 4 North Main, Moab, Utah 84532. We have also enclosed a copy of the receipt verifying that the \$15,000.00 has in fact been deposited.
2. Steps towards the soil analysis necessary for the

evaporation pond were taken several weeks ago when T.S.& R. Mining obtained a soil sample and sent it to the University of Utah for analysis. Unfortunately, the University of Utah refused to do the analysis. The sample was then sent to Terra Tech in Salt Lake City where it has been for several weeks awaiting a final report. Unfortunately, the gentleman in charge has been on vacation for three weeks and has not been able to complete the analysis. As soon as the analysis is done we will provide a copy of it to you.

3. A cat and cat skinner to dig the evaporation pond have been arranged for and will be able to commence operation as soon as the state provides the required permit. As we discussed, the parties can't begin to construct the pond until the state authorizes the action.
4. You mentioned miscellaneous items that needed to be addressed such as the sampling of a waste rock pile, determining the availability of soil for reclamation, the need to show the presence of an access road on a map, and so forth. It is the parties intention to have these items taken care of by September 16, 1983, and you expressed your willingness to grant them an extension until that date.
5. You requested that we provide you the name and address of an operator. S&S Mining is the operator by virtue of the Mined Lands Reclamation Agreement and Escrow Agreement and its address is P. O. Box 414, Moab, Utah 84532, Attention: Clayton Stocks. We request that copies of all correspondence also be sent to the following:

Robin Groff
138 East 100 North
Moab, Utah 84532

Robert H. Ruggeri
Attorney at Law
P. O. Box 310
Moab, Utah 84532

T.S.& R. Mining
C/O Tom Stocks
P. O. Box 848
Moab, Utah 84532

Paul W. Mortensen
Attorney at Law
P. O. Box 339
Moab, Utah 84532

Everyone involved understands that these steps have addressed the immediate problems with which you were concerned and that therefore there is no need to appear at the hearing tomorrow. Thanks again for your assistance and cooperation.

Sincerely,

A handwritten signature in cursive script, reading "Paul W. Mortensen". The signature is fluid and elegant, with a long, sweeping underline that extends to the right.

PAUL W. MORTENSEN

PWM/imm

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
BOARD OF OIL, GAS AND MINING
4241 State Office Building
Salt Lake City, Utah 84114

MINED LANDS RECLAMATION AGREEMENT
(ESCROW)

THIS AGREEMENT, made and entered into this 24th day of August, 1983, between CLAYTON STOCKS, BRADLEY STOCKS and WINSTON STOCKS, co-partners doing business as S & S Mining Company, hereinafter called Operator, and the Board of Oil, Gas and Mining, duly authorized and existing by virtue of the laws of the State of Utah, hereinafter called Board.

W I T N E S S E T H :

WHEREAS, the Operator is the owner and in possession of certain mining claims and/or leases more particularly described in Exhibit A attached hereto.

WHEREAS, the Operator did on the 22nd day of May, 1982, file with the Director of Oil, Gas and Mining a "Notice of Intention to Commence Mining Operations and Mining and Reclamation Plan" to secure authorization to engage, or to continue to engage in mining operations in the State of Utah, under the terms and provisions of the Mined Land Reclamation Act, Section 40-8, Utah Code Annotated 1953:

WHEREAS, the Operator is able and willing to reclaim the above mentioned land affected in accordance with the approved Mining and Reclamation Plan, the Mined Land Reclamation Act and the rules and regulations adopted in accordance therewith.

WHEREAS, the Board has considered the factual information and recommendations provided by the staff of the Division of Oil, Gas and Mining as to the magnitude, type and costs of the approved reclamation activity planned for the land affected.

WHEREAS, the Board is cognizant of the nature, extent, duration of operation, and the fact that the Operator has been unable to obtain a surety bond.

NOW THEREFORE, for and in consideration of the mutual covenants, of the parties by each to the other made and herein contained, the parties hereto agree as follows:

1. Operator promises to reclaim the land affected in accordance with the approved Mined Land Reclamation Plan, Mined Land Reclamation Act, and the rules and regulations adopted in accordance therewith.

2. The Operator, in lieu of posting a bond or other surety hereby agrees to deposit \$15,000.00 commencing herewith in what will be hereafter referred to as the escrow funds.

3. The Board, in lieu of posting of a bond, or other surety, agrees to execute an escrow agreement with the Operator and any third party designated by Operator.

4. Upon execution of the Escrow Agreement the Operator agrees to furnish the Board a copy of each receipt deposited no later than 10 days after deposit is made.

5. The Board and Operator agree that failure to make a deposit in the escrow fund as required shall constitute a breach of contract and the Board may, after notice and hearing, declare all moneys in the escrow fund forfeited and request the Attorney General to take the necessary legal actions to enjoin further mining activities by the Operator in the State of Utah.

IN WITNESS WHEREOF, the parties of the first and second part hereto have respectfully set their hand and seal this 24th day of August, A. D., 1983.

Between the BOARD OF OIL, GAS AND MINING, S & S MINING COMPANY, a co-partnership, Clayton Stocks, Bradley Stocks, Winston Stocks, co-partners doing business as S & S Mining Company, Operator, and FIRST SECURITY BANK OF UTAH, N.A., hereinafter called the Escrowee.

WHEREAS, the Board and Operator have entered into a Mined Land Reclamation Agreement upon the terms and conditions therein set forth.

WHEREAS, the Operator desires to execute an escrow agreement

Note: If the Operator is a corporation the agreement should be in lieu of furnishing a bond or other form of surety for meeting executed by its duly authorized officer with the seal of the corporation affixed.

It is therefore agreed:

1. Deposit of Escrow Fund Commencing on the 24th day of August, A. D., 1983, to deposit \$15,000.00 in what will be hereinafter referred to as the escrow fund excluding interest. All interest earned in the said fund shall accumulate to the benefit of the escrow fund until this Escrow Agreement is terminated by mutual

MR FORM 7B

Page 4 of 7

of the undersigned or disbursement of the funds therein is by a Court of competent jurisdiction.

1. Deposit of Escrow Fund. The escrow fund shall be held by the Escrowee in a separate account separate and apart from the property of the Escrowee until such time as the Escrowee is directed in writing by the Board and Operator to the disbursement of said escrow fund, together with interest earned thereby.

ESCROW AGREEMENT

THIS AGREEMENT made this 24th day of August, A. D., 1983, between the BOARD OF OIL, GAS AND MINING, hereinafter called the Board, CLAYTON STOCKS, BRADLEY STOCKS, WINSTON STOCKS, co-partners, doing business as S & S Mining Company, hereinafter called Operator, and FIRST SECURITY BANK OF UTAH, N.A., Moab Branch hereinafter called the Escrowee.

WHEREAS, the Board and Operator have entered into a Mined Land Reclamation Agreement upon the terms and conditions therein set forth.

WHEREAS, the Operator desires to execute an escrow agreement in lieu of furnishing a bond or other form of surety for meeting the requirements of Section 40-8-14, U. C. A. 1953.

It is therefore agreed:

1. Deposit of Escrow Fund. Commencing on the 24th day of August, A. D., 1983, to deposit \$15,000.00 in what will be hereinafter referred to as the escrow fund excluding interest. All interest earned in the said fund shall accumulate to the benefit of the escrow fund until this Escrow Agreement is terminated by mutual

consent of the undersigned or disbursement of the funds therein is ordered by a Court of competent jurisdiction. Section herewith, except

his 2. Depository of Escrow Fund. The escrow fund shall be held by the Escrowee in an interest bearing account separate and apart from the personal funds of the Escrowee until such time as the Escrowee receives written direction, with respect to the disbursement of said escrow funds, together with interest earned thereby, signed by both the Board and Operator. under no circumstance, be

com 3. Disputes. In the event of any disagreement between the undersigned or any of them, and/or any other person, resulting in adverse claims and demands being made in connection with any money, or property involved herein or affected hereby, the Escrowee shall be entitled at its option to refuse to comply with any such claim or demand, so long as such disagreement shall continue, and in so refusing, the Escrowee shall not become liable to the undersigned or any of them or to any other person for failure or refusal to comply with such conflicting or adverse demands and the Escrowee shall be entitled to continue to refrain and refuse to act until:

fied with a. The rights of the adverse claimants having been finally adjudicated in a court assuming and having jurisdiction of the parties, the money and property involved herein or affected hereby; and/or

b. All differences shall have been adjusted by agreement and the Escrowee shall have been notified thereof in writing signed by all the interest parties.

4. Liability of Escrowee. The Escrowee shall not be liable for any error of judgment or for any act done or step taken or omitted by

IN WITNESS WHEREOF, the parties of the first and second part, him in good faith, or for any mistake of fact or law or for anything which he may do or refrain from doing in connection herewith, except his own wilful misconduct.

5. Protection of Escrowee. The Escrowee shall be protected in acting upon any notice, request, waiver, consent, receipt of other papers or documents believed by the Escrowee to be genuine and to be signed by the proper party or parties.

6. Accounting. Escrowee shall under no circumstance, be compelled to furnish a formal accounting for the escrow funds other than at the end of each calendar or fiscal year, to notify the Board and Operator as to the date each payment was made into said funds, the total amount contained therein and the interest accumulated thereby.

7. Fee. The fee of the Escrowee has been fixed by the Operator and Escrowee under separate agreement, the Escrowee shall not be entitled to any additional fee for services rendered under this agreement.

8. Modification. This agreement may not be altered or modified without the express written consent of the Operator, the Board and the Escrowee.

Page 7 of 7.

IN WITNESS WHEREOF, the parties of the first and second part,
have respectfully set their hand and seal this 24th day of August,
A. D., 1983.

BOOK

PAGE

311

1, 2, 3

S & S MINING COMPANY, a
partnership

By Clayton Stocks
Clayton Stocks, Partner

BOARD OF OIL, GAS AND MINING

By _____

FIRST SECURITY BANK OF UTAH,
N.A., Moab Branch

By _____
Branch Manager

" E X H I B I T A "

NAME OF CLAIM

BOOK

PAGE

Red Rock 9, 10, 11

554

1, 2, 3